Medicaid Cost Containment Strategies: A National Perspective and Outlook

Oklahoma Chamber of Commerce

Washington, DC

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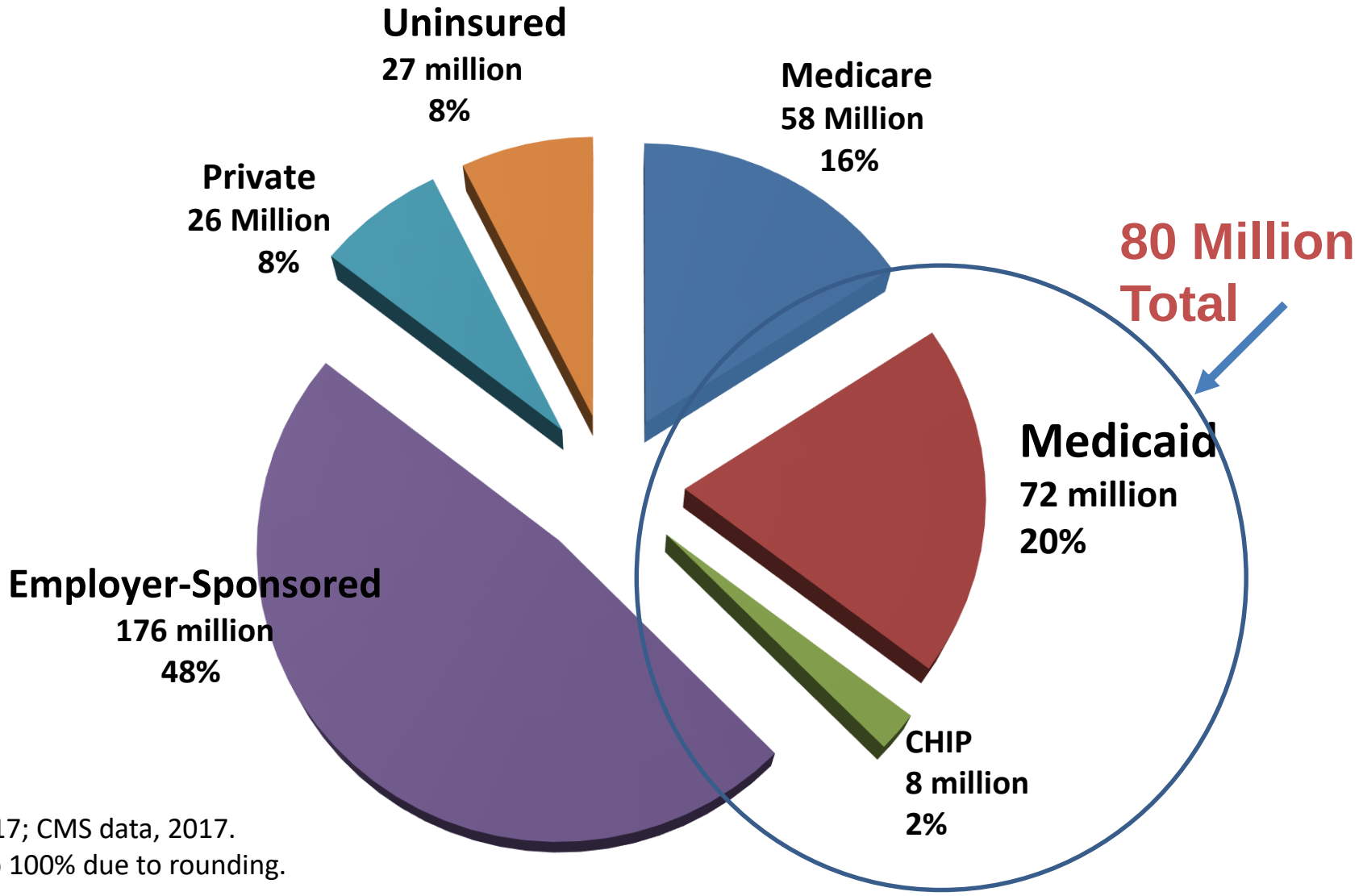
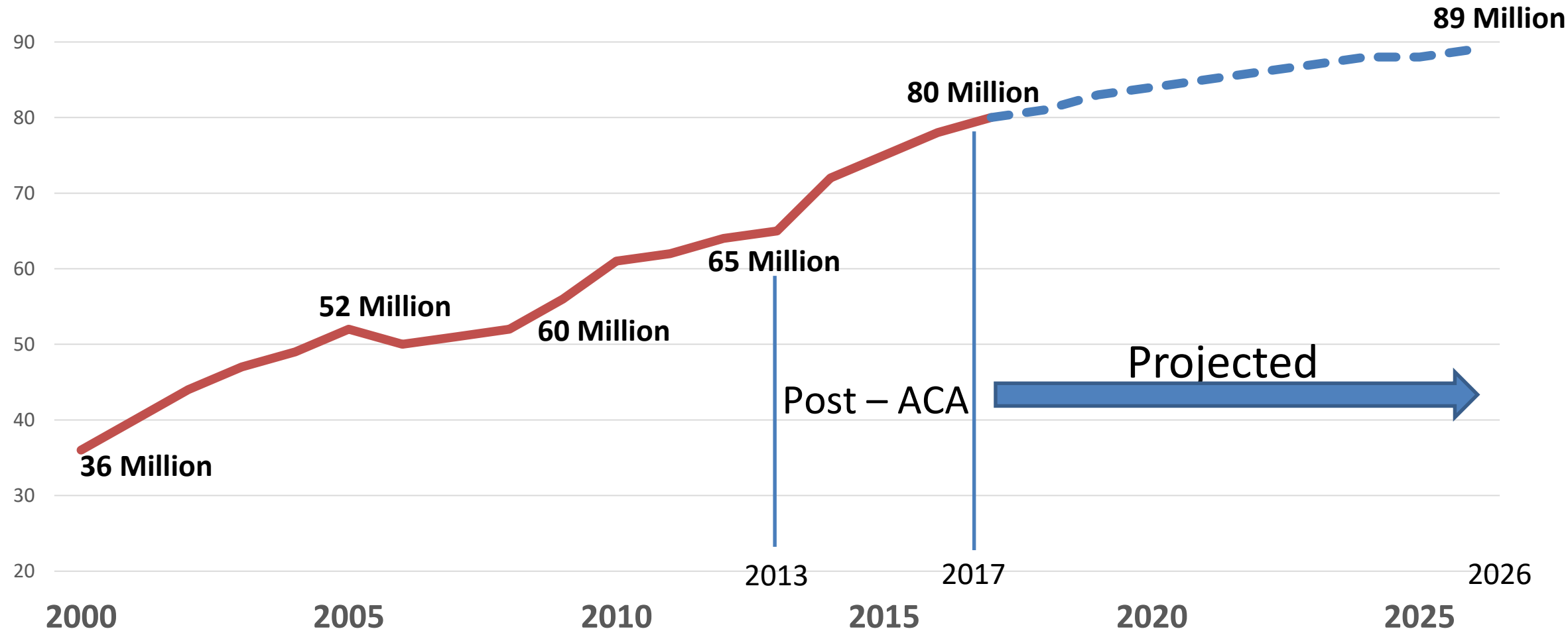
Medicaid: The Largest Single Health Insurer in U.S.
Insurance Status of Americans in 2017



Source: HMA estimates 2017; CMS data, 2017.
Note: Total does not add to 100% due to rounding.

HEALTH MANAGEMENT ASSOCIATES

Medicaid and CHIP Enrollment 2000 to 2026 (Projected, under Current Law)



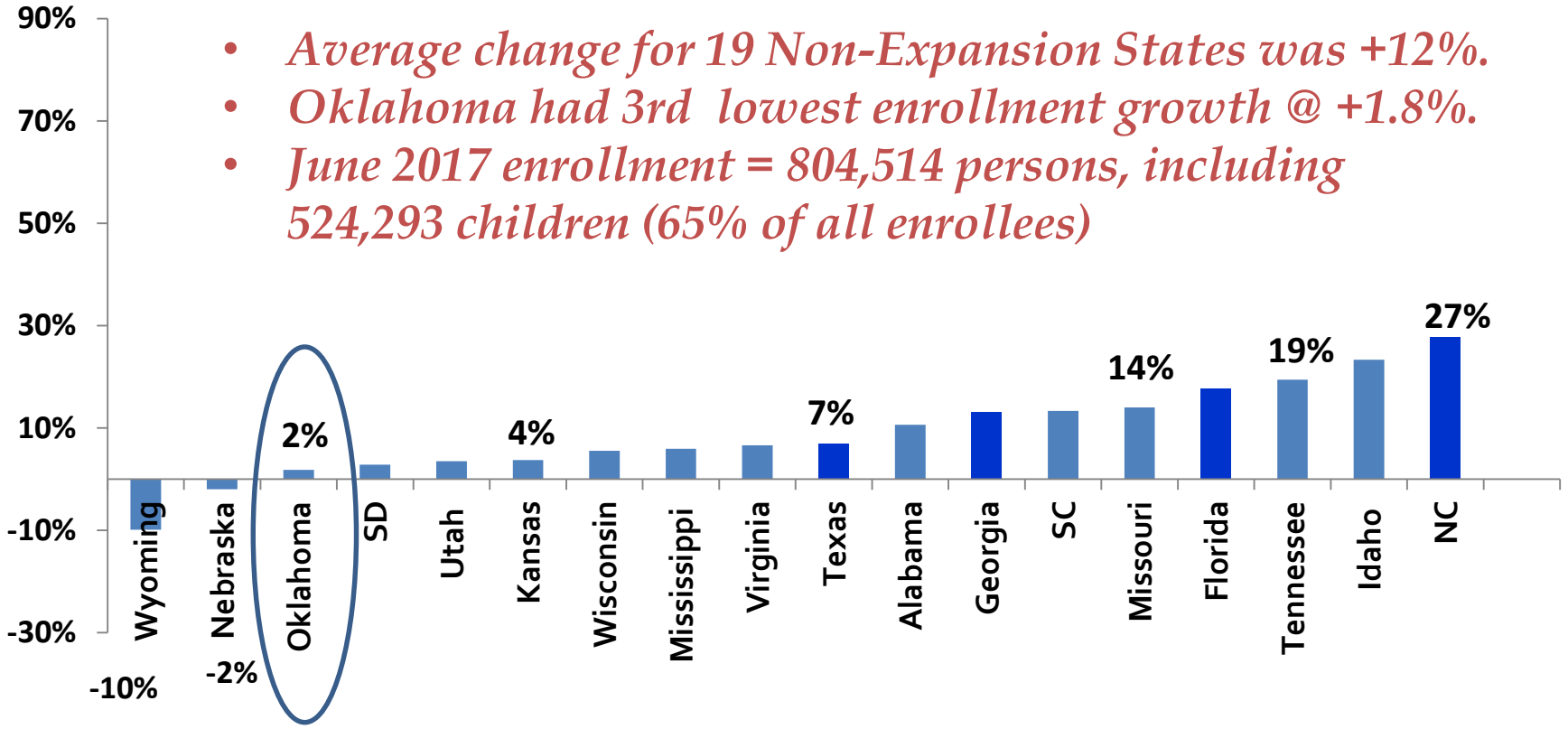
HEALTH MANAGEMENT ASSOCIATES

SOURCE: HMA projections, based on CMS, CBO data, 2017.

"Non-Expansion" States: Medicaid and CHIP Enrollment Change

Percent Change in Medicaid/Chip Enrollment From Pre-ACA (July - Sept. 2013) to June 2017

- *Average change for 19 Non-Expansion States was +12%.*
- *Oklahoma had 3rd lowest enrollment growth @ +1.8%.*
- *June 2017 enrollment = 804,514 persons, including 524,293 children (65% of all enrollees)*

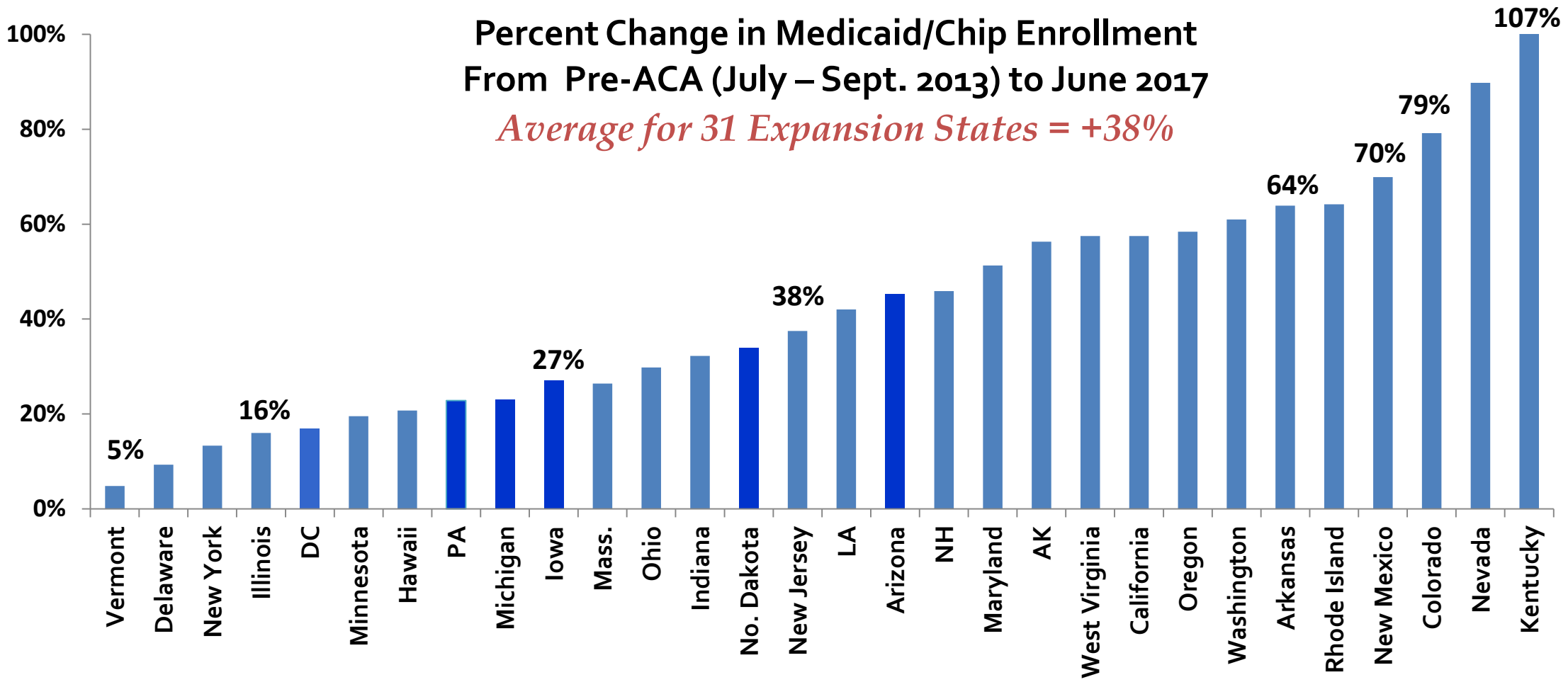


Note: Maine data omitted by CMS because comparable data not available.

SOURCE: CMS, "Medicaid & CHIP: June 2017 Monthly Applications, Eligibility Determinations, and Enrollment Report," August 22, 2017.

"Expansion" States: Medicaid and CHIP

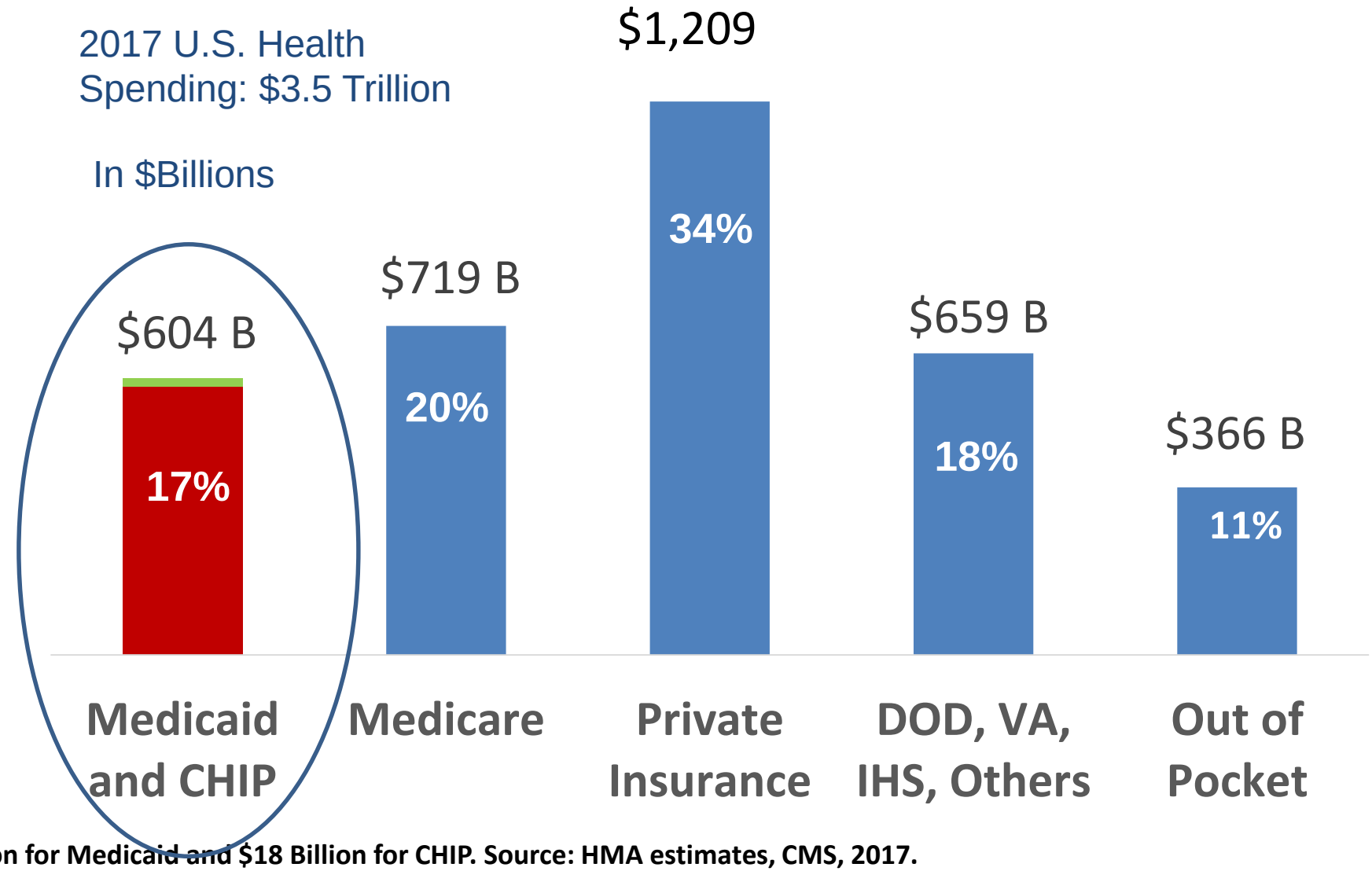
Enrollment Change



Note: Connecticut excluded because of missing data.

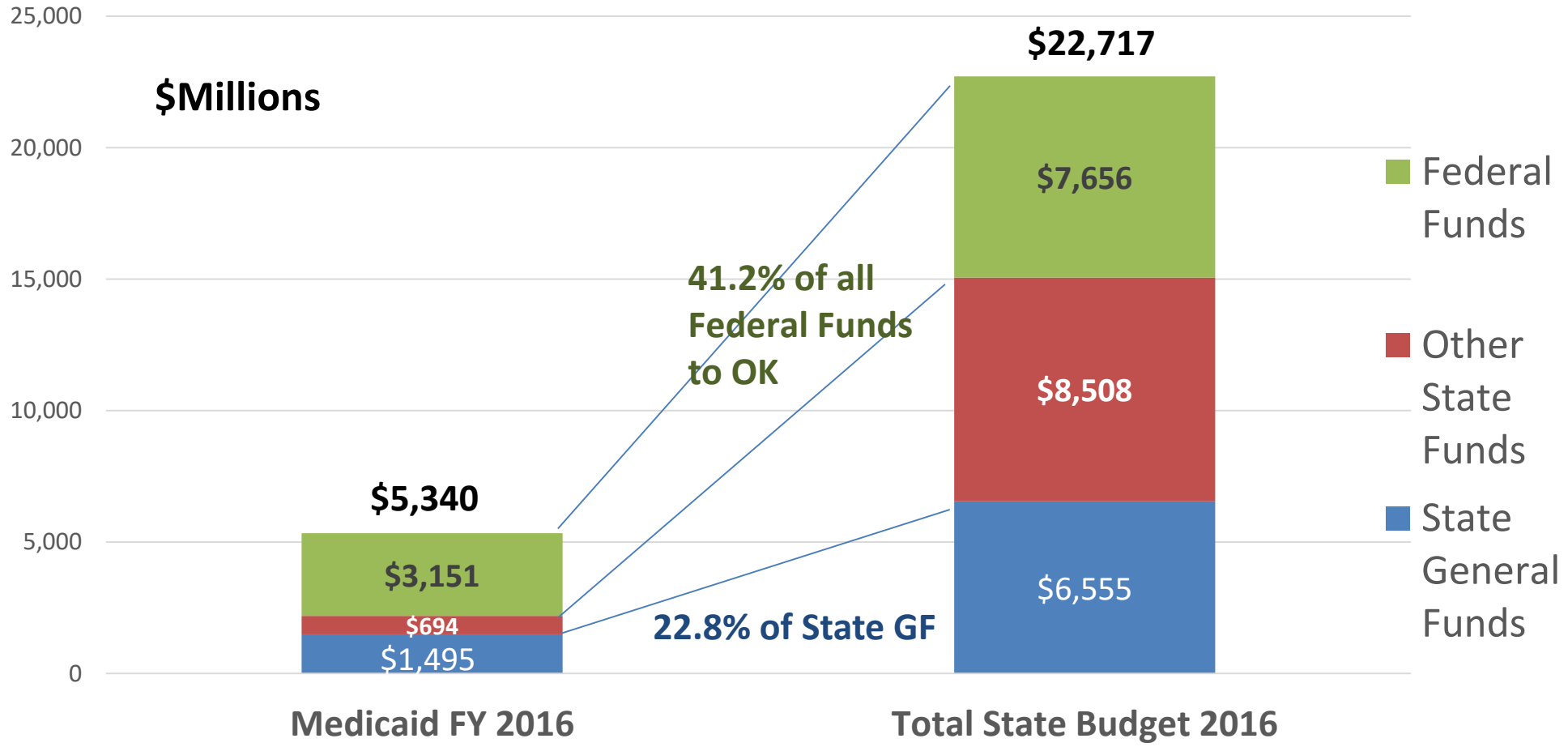
SOURCE: CMS, "Medicaid & CHIP: June 2017 Monthly Applications, Eligibility Determinations, and Enrollment Report," August 22, 2017.

Medicaid Spending Accounts for Over 1/6 of All U.S. Health Care Dollars: Spending by Payer, All Services, in 2017



Note: $587 Billion for Medicaid and $18 Billion for CHIP. Source: HMA estimates, CMS, 2017.

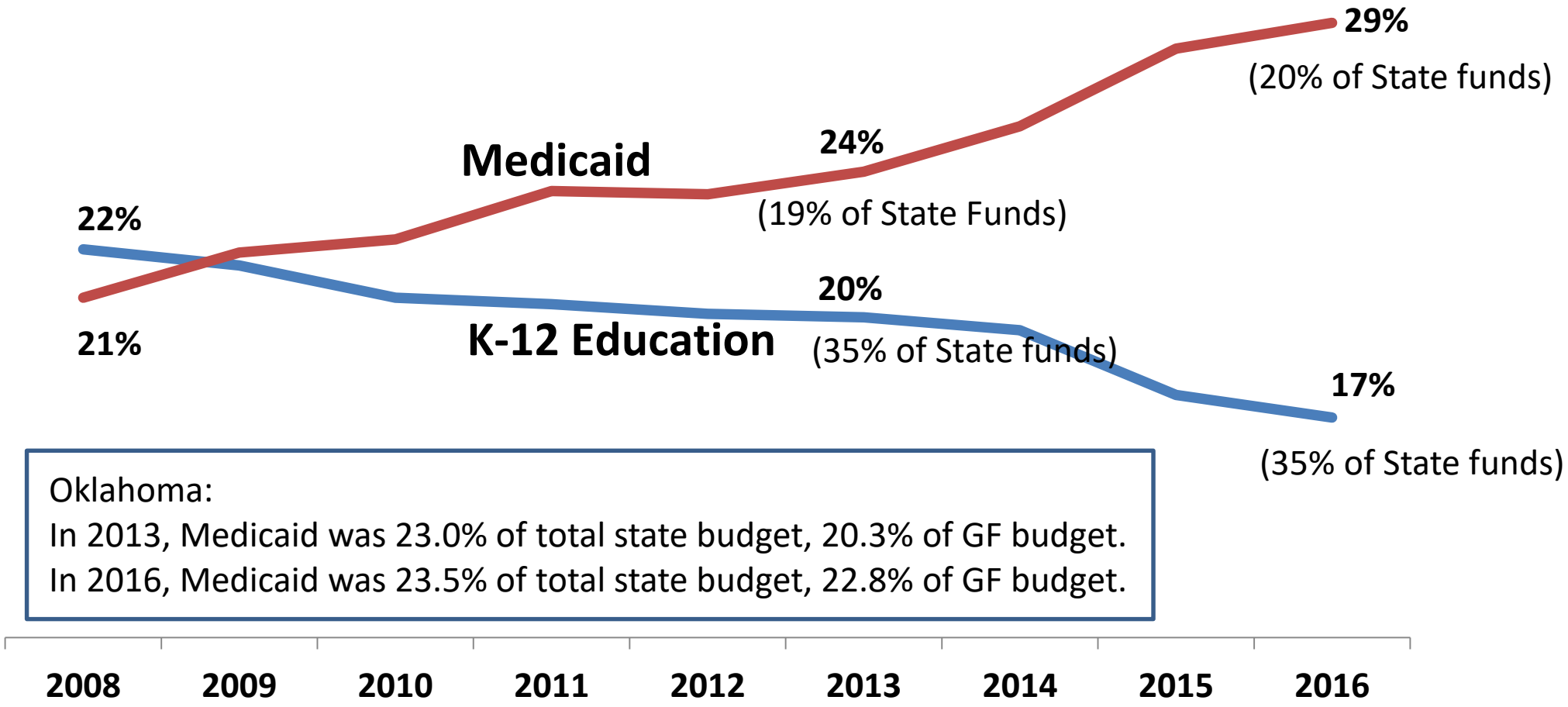
Oklahoma Medicaid as a Share of the Total State Budget, FY 2016



Source: HMA, based on NASBO, *2016 State Expenditure Report*, 2017

Total U.S. Spending on Medicaid and K–12 Education as % of Total State Spending

Average State Percentages, 2008 – 2016



Oklahoma:
In 2013, Medicaid was 23.0% of total state budget, 20.3% of GF budget.
In 2016, Medicaid was 23.5% of total state budget, 22.8% of GF budget.

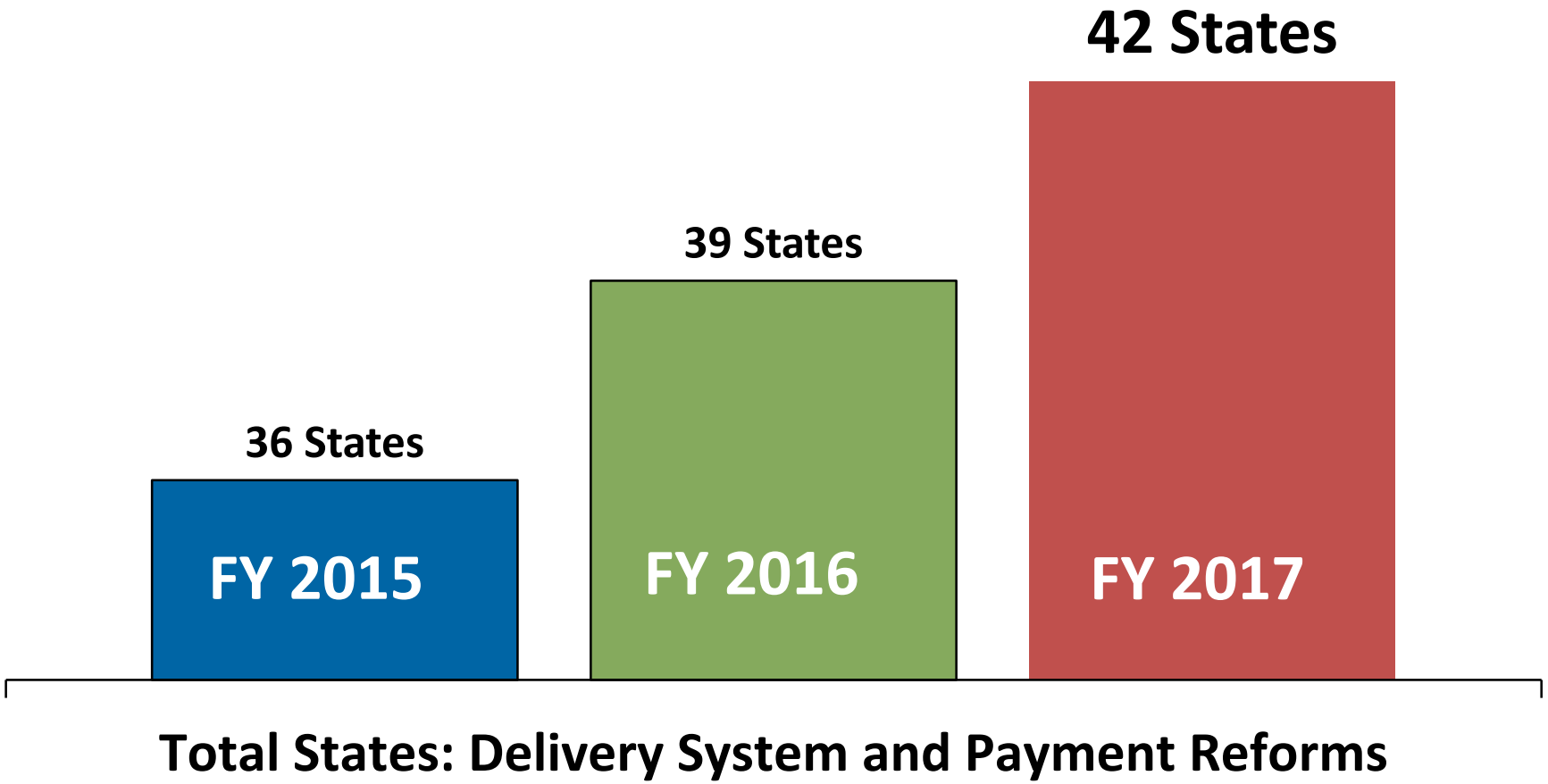
Source: HMA, based on data in: NASBO, *State Expenditure Report*, 2016 and Earlier Years.

Top State Medicaid Priorities for 2017

1. Controlling costs / cost containment
   - Primary focus on pharmacy and long term care
2. Delivery and payment system initiatives
   - Value-based payments
   - Improving health, outcomes, coverage and lower costs
     - Using care coordination, medical homes, managed care
     - New focus on social determinants and population health .

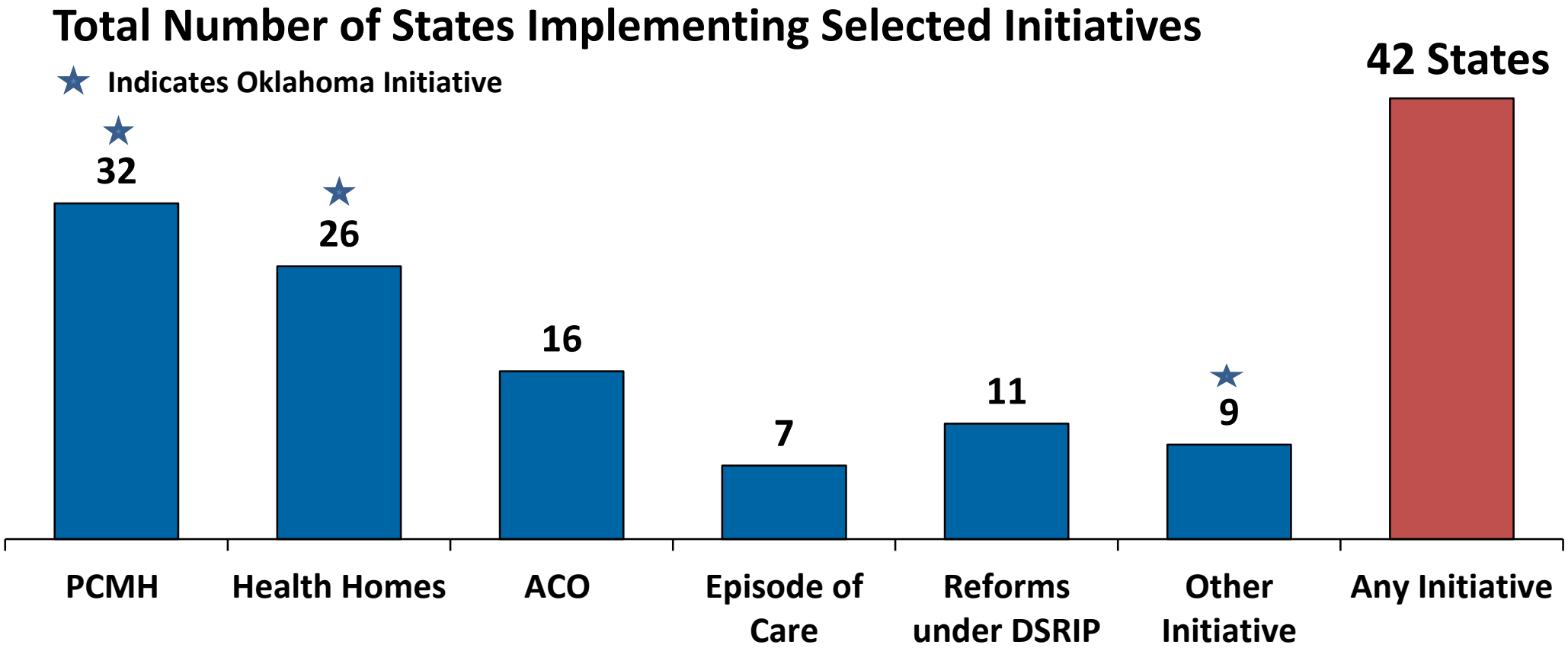
SOURCE: Vernon Smith, et al., *"Implementing Coverage and Payment Initiatives: Results from a 50-State Medicaid Budget Survey for State Fiscal Years 2016 and 2017,"* Kaiser Family Foundation, October 2016. www.kff.org

Medicaid Payment and Delivery System Initiatives Are Key Cost Control Strategy: Initiatives in 42 States in 2017



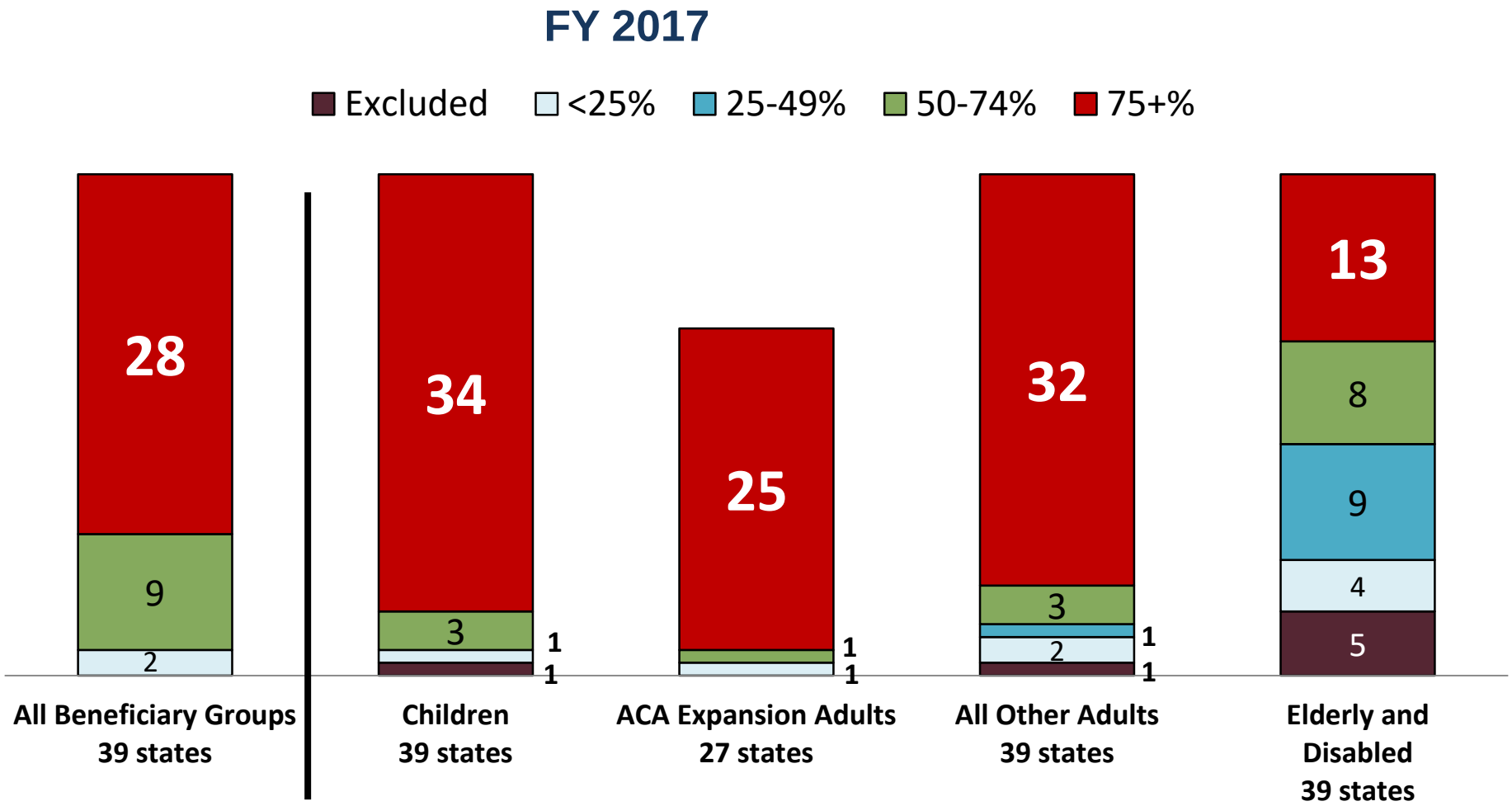
NOTES: Expansions include rollouts of existing initiatives to new areas or groups, and other increases in enrollment or providers.
SOURCE: Vernon Smith, et al., *"Implementing Coverage and Payment Initiatives: Results from a 50-State Medicaid Budget Survey for State Fiscal Years 2016 and 2017,"* , Kaiser Family Foundation, October 2016. www.kff.org

Medicaid Delivery and Payment System Initiatives, FY 2017



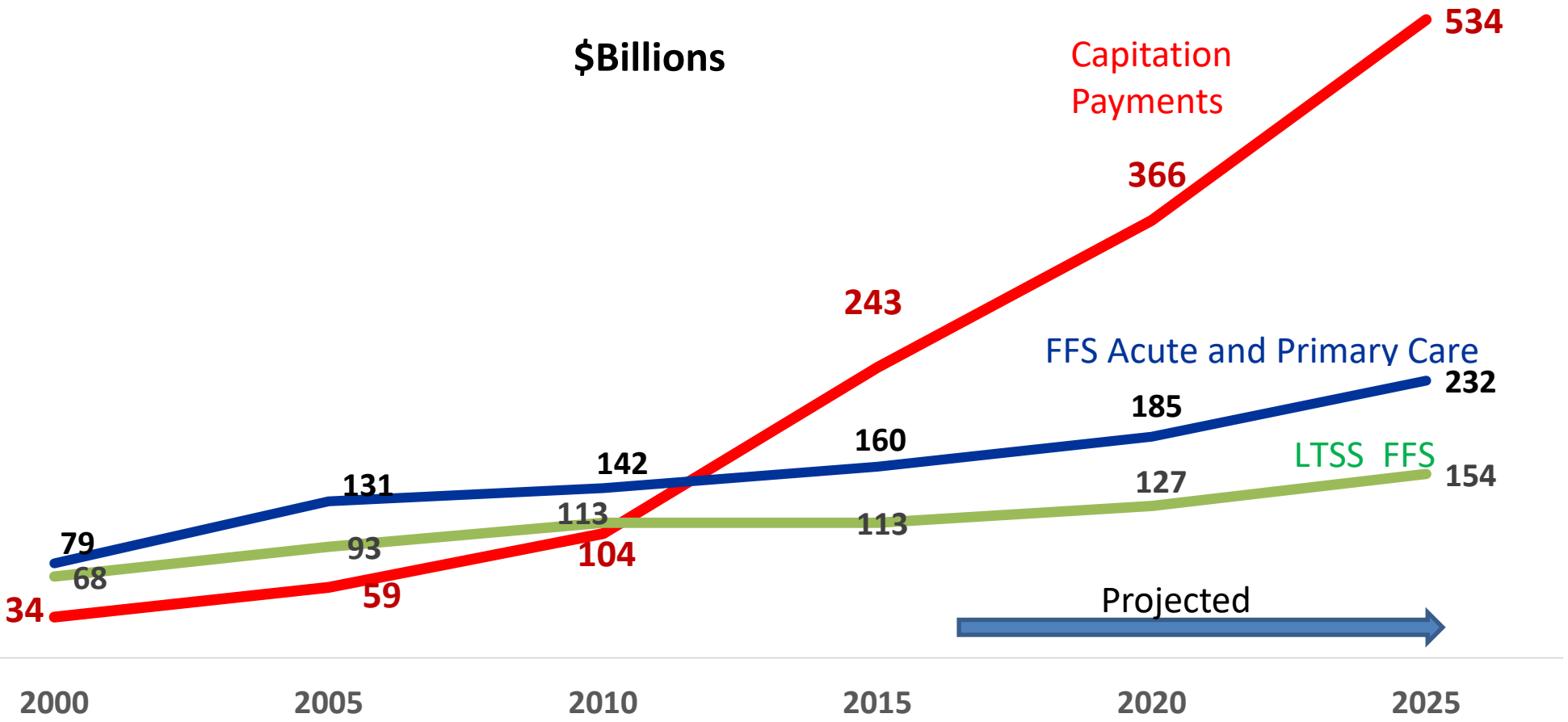
SOURCE: Vernon Smith, et al., *"Implementing Coverage and Payment Initiatives: Results from a 50-State Medicaid Budget Survey for State Fiscal Years 2016 and 2017,"* , Kaiser Family Foundation, October 2016. www.kff.org

Medicaid Contracts with Capitated, Risk-Based MCOs in 39 states; In 28 states, 75% to 100% of all Medicaid beneficiaries were in MCOs.



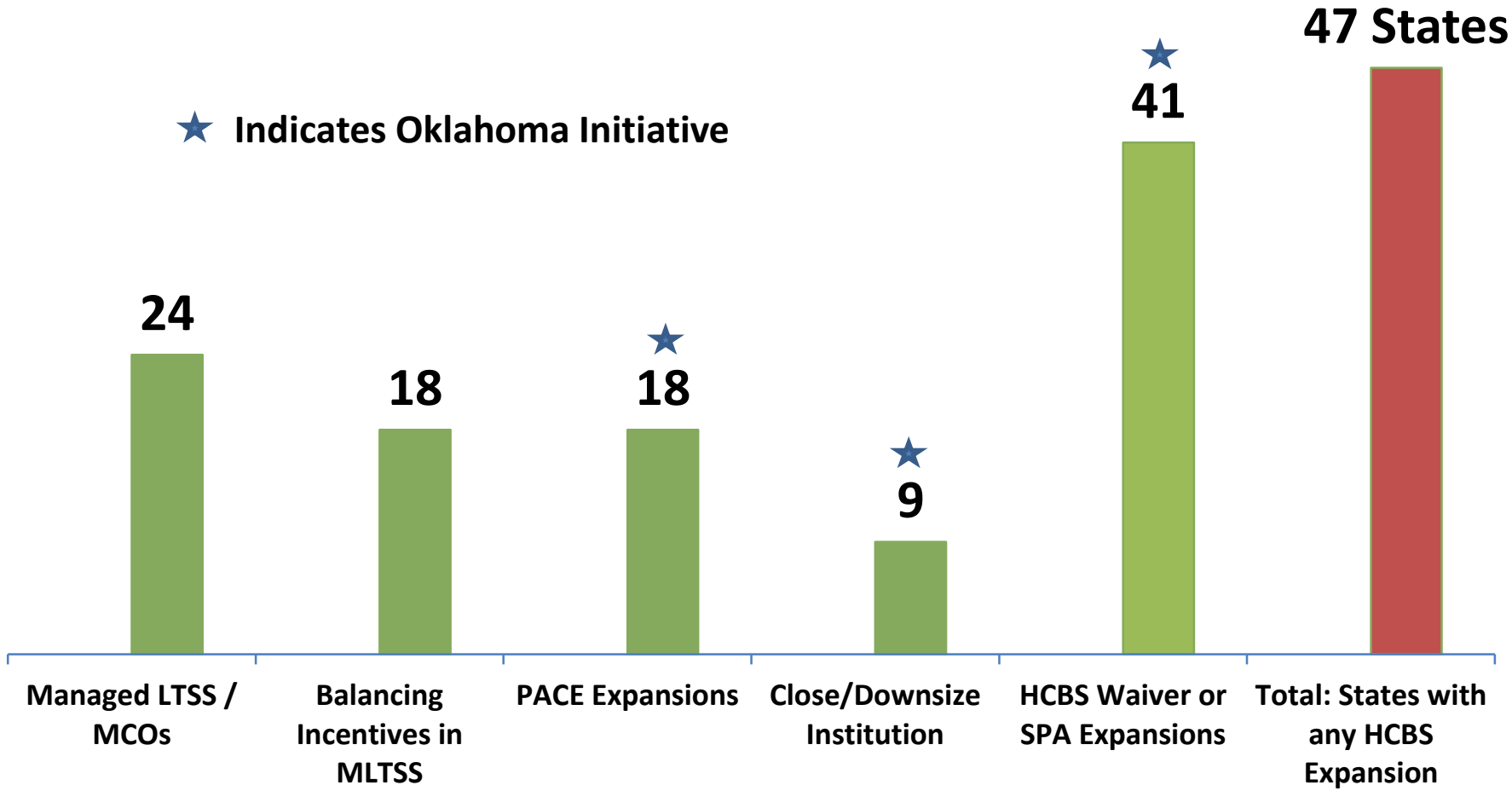
NOTES: Limited to 39 states with MCOs in place on July 1, 2016. Of 31 ACA expansion states and DC, 27 had MCOs. ND Used MCOs only for Expansion Adults.
SOURCE: Vernon Smith, et al., *"Implementing Coverage and Payment Initiatives: Results from a 50-State Medicaid Budget Survey for State Fiscal Years 2016 and 2017,"* , Kaiser Family Foundation, October 2016. www.kff.org

Capitated Payments Are Fastest Growing Share of U.S. Medicaid Spending, as Medicaid Reliance on MCOs Increases



Note: DSH payments not included. Source: HMA based on CMS Actuarial Report, January 2017.

Long Term Services and Supports: Almost Every State is Expanding Home and Community-Based (HCBS) Services. New or Expanded Initiatives in FY 2017

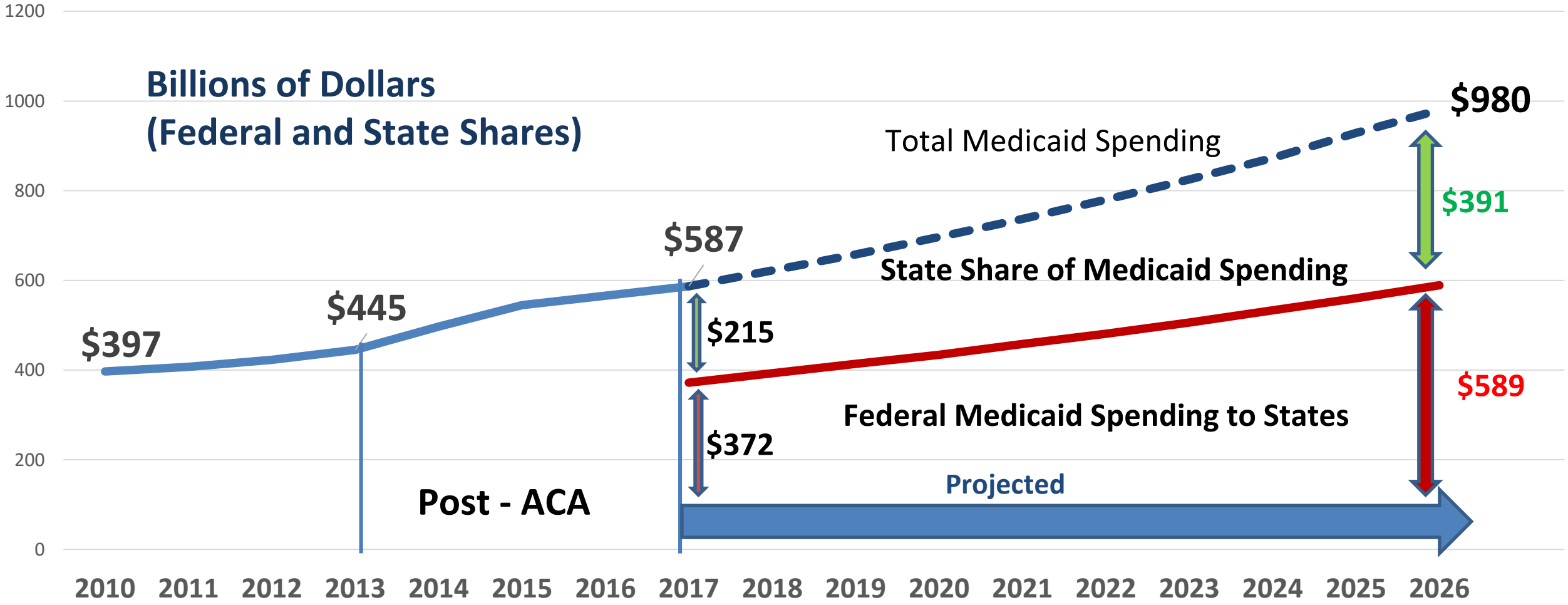


NOTES: "HCBS Waiver or SPA Expansion" includes increases to the number of Section 1915(c) waiver slots, serving more people under existing waiver caps, or the addition of Section 1915(i) or Section 1915(k) state plan options to serve more individuals. Source: Vernon Smith, et al., *"Implementing Coverage and Payment Initiatives: Results from a 50-State Medicaid Budget Survey for State Fiscal Years 2016 and 2017,"* , Kaiser Family Foundation, October 2016. www.kff.org

CMS Has Promised States More Flexibility in Program Design in 2017

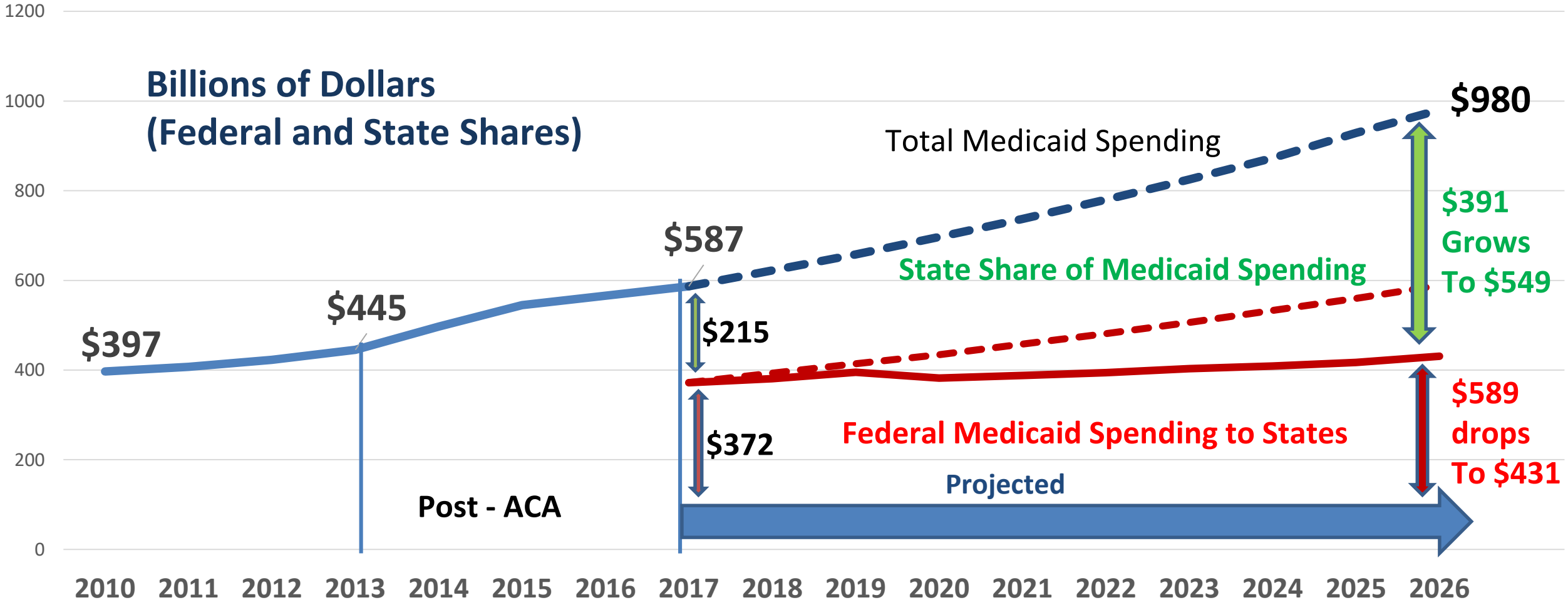
- States will benefit from broader federal interpretation of what can be approved under “waivers .”
  - Waivers allow Medicaid funding for services and policies that otherwise wouldn’t qualify for Medicaid matching funds.
- Even without Congressional action on the ACA, States have momentum on payment and delivery system initiatives, including social determinants of health.
  - Waiver opportunities under Sec. 1115 and Sec. 1332.

Medicaid Total, State and Federal Spending under Current Law, 2017 to 2026 (Projected)



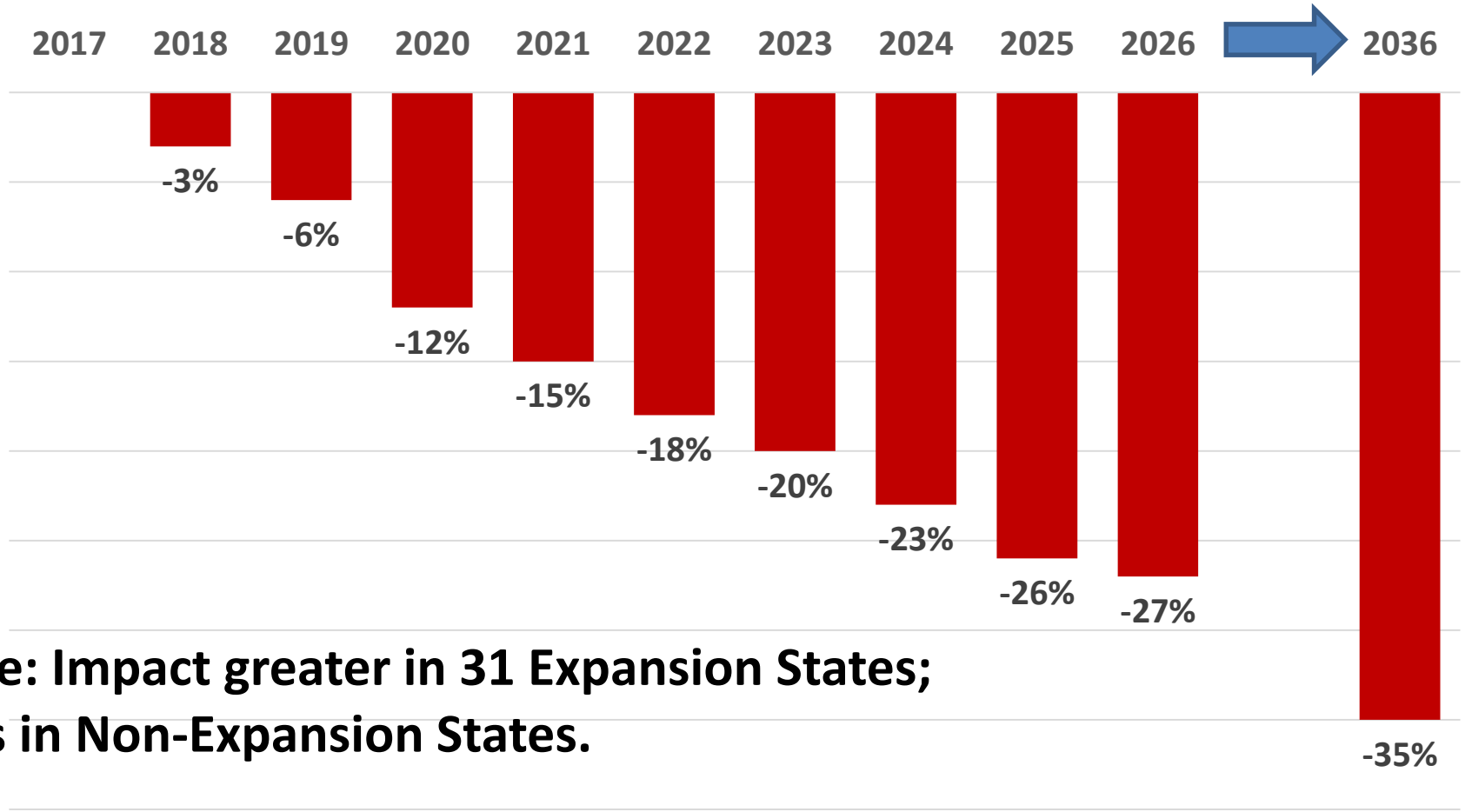
Source: HMA calculations, based on CMS NHE projections and CBO Medicaid 2016 and 2017 Baseline projections, 2017.

Medicaid Total, State and Federal Spending under Current Law and BCRA, 2017 to 2026 (Projected)



Source: HMA calculations, based on CMS NHE projections and CBO Medicaid 2016 and 2017 Baseline projections;
CBO Scoring of H.R. 1638, Better Care Reconciliation Act of 2017, June 26, 2017.

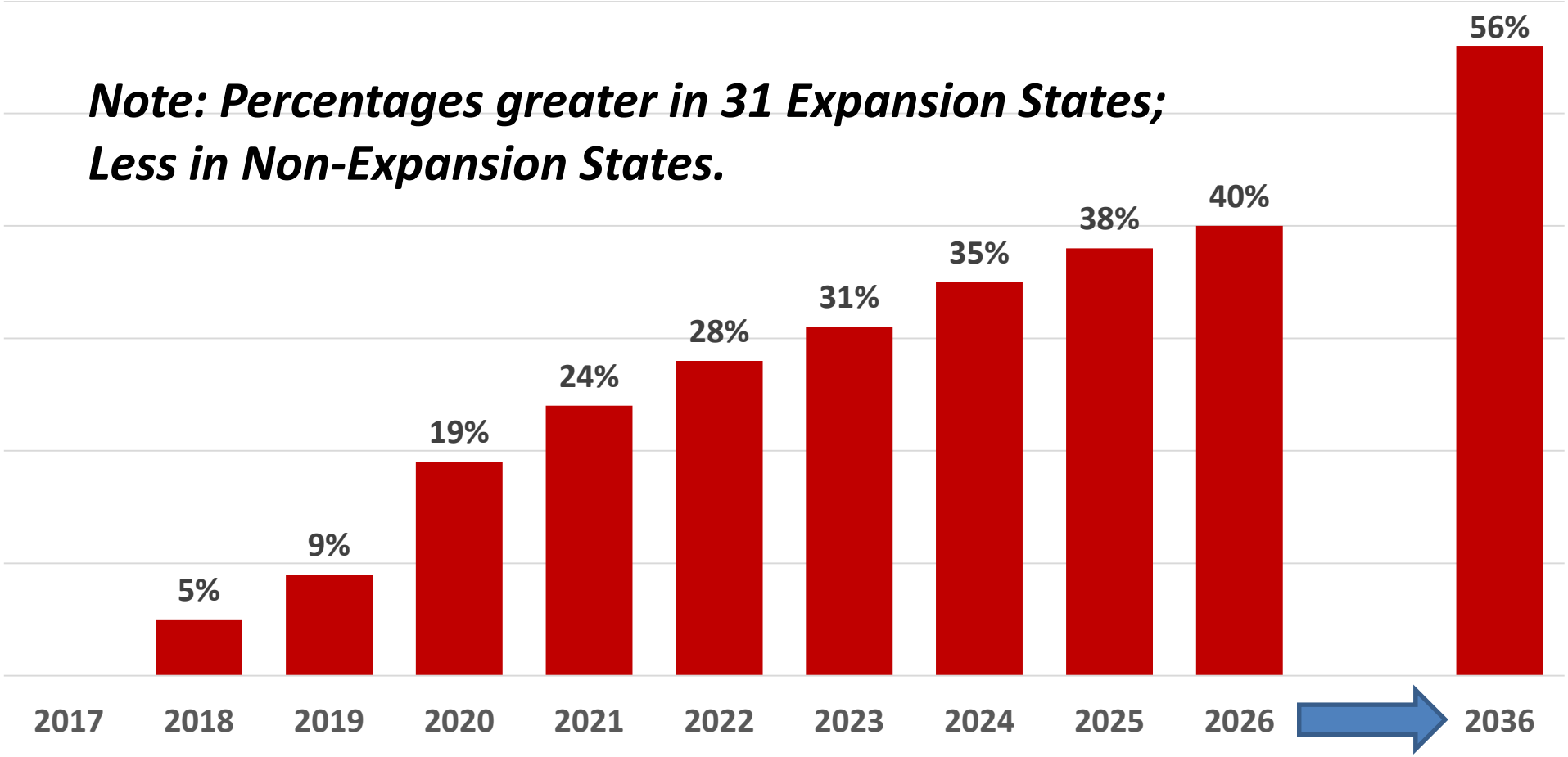
BCRA: *Percentage* Cuts in Federal Medicaid Payments to States, 2017 - 2036



Note: Impact greater in 31 Expansion States; Less in Non-Expansion States.

Source: HMA, based on CBO Scoring of H.R. 1638, Better Care Reconciliation Act of 2017, June 26, 2017; and CBO, "Longer Term Effects of the BCRA of 2017 on Medicaid Spending," June 2017.

Percentage Increase in State Funds Needed to Maintain Current Medicaid Program, With BCRA Cuts to Federal Funds, 2017 - 2036



Source: HMA, based on CBO Scoring of H.R. 1638, Better Care Reconciliation Act of 2017, June 26, 2017; and CBO, "Longer Term Effects of the BCRA of 2017 on Medicaid Spending," June 2017.

Oklahoma Impacts of Federal "Repeal & Replace"

- Loss of federal funds, fewer with health insurance
- In 2022 Federal spending would drop by $881 Million for Medicaid and insurance subsidies, leading to losses in employment and increase of 157,000 in uninsured.
  - Oklahomans with no health insurance would increase from 17.6% to 22.2%
  - State GF for Medicaid would have to increase by $209 million
- Over 2020 – 2029, OK Medicaid would lose $2,580 million in federal funds, increasing annually to $616 in 2029.

Sources: The Commonwealth Fund, *BCRA: Economic and Employment Consequences for States*, July 2017; and, Kaiser Family Foundation, *BCRA: State-by-State Estimates of Federal Medicaid Funding*, July 2017.

Medicaid cuts would force major state budget battles with impacts well beyond Medicaid

- *The cuts in federal Medicaid spending "…. would kick off budget battles in the states that go way beyond Medicaid. We could see cuts to higher education, school funding, corrections, environmental protection or other state priorities — or new taxes, depending on the state…. It won't only be a Medicaid debate any longer."*

Drew Altman, "What's really at stake in the Medicaid spending debate," June 2, 2017.
https://www.axios.com/whats-really-at-stake-in-the-medicaid-spending-debate-2428102663.html

The Outlook for Medicaid

- Medicaid faces an uncertain year.
- Dramatic changes of historic proportions could occur in federal funding to states for Medicaid that would affect every state, health care institution, insurer, health plan, hospital, pharmacy, long term care and other providers.
  - The changes could have profound affects on beneficiaries and their families who depend on Medicaid for medically-needed care.
- States will have new opportunities for innovation and improvement in their Medicaid programs.